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Chair

The Honourable Kevin Sorenson

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● (1530)

[*English*]

The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)): Good afternoon, colleagues.

This is meeting number 105 of the Standing Committee on Public Accounts, on Thursday, June 14, 2018.

For our guests, right now, as Madam Mendès was saying, there is a tribute to Mr. Mulcair going on, so Mr. Christopherson will be with us momentarily. We did try to hold off as long as we could just so that members could be there for that event.

I should also say that we are televised today. I encourage all those in the audience, members of the media, and members of the committee to please put your cellphones on vibrate, silent, or whatever setting will diminish distraction. We would certainly appreciate that, and thank you in advance.

We are here today in consideration of "Report 1—Building and Implementing the Phoenix Pay System" of the 2018 spring reports of the Auditor General of Canada.

We are honoured to have with us this afternoon, from the Auditor General's office, Mr. Michael Ferguson, Auditor General of Canada, and Monsieur Jean Goulet, Principal. From the Department of Public Works and Government Services are Ms. Marie Lemay, Deputy Minister, and Les Linklater, Associate Deputy Minister. From the Treasury Board Secretariat, we have Mr. Peter Wallace, Secretary of the Treasury Board of Canada, and Ms. Sandra Hassan, Assistant Deputy Minister, Compensation and Labour Relations Sector.

Welcome to all. We look forward to your comments.

We will open this afternoon's committee meeting by hearing from our Auditor General.

Mr. Ferguson, go ahead, please.

Mr. Michael Ferguson (Auditor General of Canada, Office of the Auditor General): Mr. Chair, thank you for this opportunity to present the results of our second audit of the Phoenix pay system, in which we looked at building and implementing the system. Joining me at the table is Jean Goulet, the principal who was responsible for the two audits of Phoenix.

In 2009, Public Services and Procurement Canada started its transformation of pay administration initiative to transform the way it processed pay for its 290,000 employees. There were two projects: one to centralize pay services for 46 departments and agencies that employed 70% of all federal employees, and the other to replace the 40-year-old pay system used by 101 departments and agencies.

[*Translation*]

In this audit, we reviewed Public Services and Procurement Canada's development and implementation of the Phoenix pay system. We examined whether the decision to launch the new pay system included considerations of whether the system was fully tested, functional, and secure, and whether it would protect employees' personal information.

We concluded that the Phoenix project was an incomprehensible failure of project management and project oversight, which led to the decision to implement a system that was not ready. In order to meet budgets and timelines, Public Services and Procurement Canada decided to remove critical pay functions, curtail system tests, and forgo a pilot implementation of the system.

● (1535)

[*English*]

Phoenix executives ignored obvious signs that the Miramichi pay centre wasn't ready to handle the volume of pay transactions, that departments and agencies weren't ready to migrate to the new system, and that Phoenix, itself, wasn't ready to correctly pay federal government employees.

When the Phoenix executives informed the deputy minister of Public Services and Procurement Canada that Phoenix would launch, they didn't mention significant problems that they knew about. Finally, the decision to launch Phoenix wasn't documented.

In our view, based on the information available at the time, the decision to launch Phoenix was wrong. Phoenix doesn't do what it was supposed to do. It has cost hundreds of millions of dollars more than planned, and it has affected tens of thousands of federal government employees and their families.

[*Translation*]

In my opinion, when I look back at our first audit of Phoenix pay problems, there were three issues that were common to both the Phoenix implementation project and the department's response to the post-implementation problems. Those were a lack of oversight or governance to guide management activities, a lack of engagement with affected departments, and an underappreciation of the seriousness of the problems.

Mr. Chair, this concludes my opening remarks. We would be pleased to answer any questions the committee may have.

[*English*]

The Chair: Thank you very much, Mr. Ferguson.

We will now move to Ms. Lemay, please.

Ms. Marie Lemay (Deputy Minister, Department of Public Works and Government Services): Good afternoon. Thank you, Mr. Chair.

I'm joined by our Associate Deputy Minister, Les Linklater.

We appreciate the opportunity to appear before the committee to discuss the Auditor General's latest study of the Phoenix pay system.

Public Services and Procurement Canada accepts the Auditor General's recommendation. Before I discuss the measures that PSPC will be taking in response to the Auditor General's report, I want to emphasize that this is, above all, about people. Problems with the pay system have taken a heavy toll on our employees. It is an unacceptable situation for which I am deeply sorry.

I want to assure you that we have a dedicated group of people working very hard to address their colleagues' pay issues.

[*Translation*]

The auditor general's spring report examines the planning and development of Phoenix from April 2008 to April 2016.

We recognize that there were serious flaws in the planning and implementation of Phoenix and in the broader transformation of pay administration initiative.

Cost and timelines were prioritized, and constrained the outcomes of this project. In this context, poor decisions were made. Critical elements of the project, including system functionality, testing, change management and training, were removed or deferred.

These decisions, coupled with the elimination of 700 compensation positions, and the resulting loss of critical capacity and expertise, led to a government-wide transformation that could not perform as planned. It also meant that the government was unprepared for this significant change.

Within the senior levels of Public Services and Procurement Canada, and I would say across government, the project's scope and implications were vastly underestimated. The Goss Gilroy report also cited this fundamental gap as a central failing of the project.

[*English*]

I don't believe anyone wanted this to happen or acted with ill intent. However, without question, the development and implementation of the project were severely flawed.

It is clear that the two senior executives leading the project, who reported to the deputy minister, did not properly assess the complexity of the undertaking, the cumulative impact of their decisions, or the seriousness of the early warnings. The performance of these senior executives has been assessed and appropriate measures have been taken. They are no longer involved in pay administration, and they did not receive performance pay for their work on Phoenix during 2015-16, when the system was finalized and launched.

As I mentioned, this situation has caused significant stress for many employees. Understandably, people want someone to blame. What has happened is unacceptable. The Auditor General has identified that senior executives at PSPC made significant mistakes, but has also acknowledged that there were oversights and governance issues. I believe that there were multiple points of failure and we have to learn from all of them.

Accountability needs to be coupled with authority for projects like the pay transformation to succeed. Public Service and Procurement Canada officials had full authority over Phoenix but not over the government-wide human resource processes, for example. We should have had an integrated HR-to-pay approach all along.

We must ensure that these mistakes are not repeated. We need to do better. We need to give our people the tools and the environment needed to succeed. The Auditor General's report provides advice that is helping us move forward.

● (1540)

[*Translation*]

I would like to turn now to the specific recommendations offered by the Auditor General in his spring report, which focus on future planning of government-wide IT projects.

Public Services and Procurement Canada has a long history of managing large-scale complex projects. Pension modernization and the long-term vision and plan for the Parliamentary precinct, are among the 430 projects we currently manage for our department, which represent a total budget of over $13 billion. Currently, we also manage over 2,400 projects for other government departments.

Managing large-scale projects requires rigorous and effective processes. While Public Services and Procurement Canada has those processes in place, our experience with Phoenix has highlighted the need for an enhanced approach to managing complex, enterprise-wide IT projects.

To address that need, Public Services and Procurement Canada will develop a tool to help us determine whether specific projects under our responsibility should be managed through an enhanced government-wide IT project management approach or through departmental project management practices and processes.

We will also develop an enhanced project management playbook that will outline how government-wide IT projects are to be managed and will address governance and oversight, project management, and the audit function.

The tool and the playbook will ensure that we have robust governance and oversight for all government-wide IT projects under our responsibility, as recommended by the Auditor General.

Furthermore, this approach will include a stakeholder engagement plan in projects, as well as a formal software upgrade plan and a comprehensive contingency plan.

Finally, we will ensure that internal audits provide the Deputy Minister with the appropriate assurances regarding project governance, oversight and management. We are going to make sure that the Deputy Minister has access to independent advice.

[*English*]

We're also working hard to make a more fundamental change to how the department operates, a change that goes beyond the technical and project management practices. As you know and have heard, we have a recognized world-class public service. Having said that, there is always room to improve, and within PSPC we are working very hard to foster a workplace culture in which employees feel free to have honest discussions, ask tough questions, and speak candidly when the situation calls for it.

For example, the public service pay centre has taken great strides over the last 18 months to build an environment that fosters employee engagement. This approach has fostered employee-led solutions that are helping us work through the backlog, improve working conditions, and provide better client service.

Within the broader department, we've initiated a transformation to change the way we work, change the way we deliver services, and green the way we work. Our transformation team has met with employees at all levels to have discussions about the type of culture we have and the one we aspire to. I am personally overseeing the culture element of our transformation. This won't be accomplished overnight, but it's important work that demands sustained attention. We have developed a road map and have started on our journey.

In February 2017, I appointed the first mental health ombudsman, an independent function that reports to me directly. He has met with close to 500 employees so far, providing a safe space and guidance as to the tools and help available. He has produced two reports to me, and we're implementing the recommendations.

We are committed to sustained efforts in that area. Moving forward, however, our immediate priority remains helping employees experiencing pay issues. I'd like to take a moment to highlight our recent efforts and the positive impact that they're having.

[*Translation*]

In May, Minister Qualtrough announced the roll-out of the new pay pod approach to stabilize the system and better support employees.

Pay pods are teams of pay specialists who are assigned to exclusively serve specific departments or agencies. In the three departments that participated in the pilot project, pay pods reduced overall case backlog by 30% overall and their backlog older than 30 days has gone down by 41%. These are promising results, and we are optimistic about the roll-out of pay pods over the next year.

● (1545)

[*English*]

We've also expanded both our capacity and capability to address employee pay issues. We have nearly tripled the number of compensation staff from 550 when Phoenix was implemented to over 1,600.

We have improved the quality of service provided by the client contact centre. Before, service representatives could only give employees the status of their cases. Service representatives now have direct access to pay files and can provide employees with detailed pay information when they call the centre.

While there is still much to be done, we are beginning to see slow but steady progress. With the exception of a small fluctuation, our case backlog has steadily declined for four straight months. The pay centre processed 5,000 more cases than it received in April and 25 more in May. We expect this positive trend to continue as the pay pods are expanded.

Paying public servants on time and correctly is our department's top priority, and we are working relentlessly to make that happen. Moving forward, we must learn from the mistakes that were made. We must encourage a culture shift that inspires frank and open discussion. Lastly, we must ensure something like this never happens again.

[*Translation*]

Thank you very much for your time.

I will be pleased to answer your questions.

[*English*]

The Chair: Thank you very much, Ms. Lemay.

We'll now turn to Mr. Wallace, please.

Mr. Peter Wallace (Secretary of the Treasury Board of Canada, Treasury Board Secretariat): Thank you very much for inviting me here today to discuss the Auditor General's report on building and implementing Phoenix. This is an important dialogue, and I want to emphasize that I personally welcome it and look forward to being of assistance to this committee and to other parliamentary committees. I am pleased to be here with Sandra Hassan, who is the assistant deputy minister of compensation and labour relations for Treasury Board Secretariat.

[*Translation*]

As you know, the Treasury Board is the employer of the core public service. As its secretary, I support the board in that role.

As such, I want to begin by stating that the government is resolutely focused on meeting its responsibility to pay its employees accurately and on time.

[*English*]

We are sorry that employees are experiencing pay issues that affect their lives and those of their families, and we take that, obviously, extremely seriously. That is why we are working diligently and will continue to do so to resolve these pay issues and to also help those employees who have been adversely affected. For example, we are making sure that advances are made and paid on a priority basis. We have also provided flexibility in the recovery of overpayments, and we have set up claims processes to compensate employees for expenses or financial losses because of Phoenix. These measures are aimed at mitigation and undoing some of the damages that have been done. Obviously, we're also working closely with Madam Lemay and PSPC, which are leading the enormous effort to stabilize the pay system.

That does lead me to the AG's recent report and his concerns that Phoenix may not be the last "incomprehensible failure" in project management. We are obviously deeply concerned by that finding, take that enormously seriously, and are determined to learn the lessons associated with that and ensure that we mitigate future risks and deal with these issues. IT projects are always risky. In a way, that helps our position going forward.

In 2017, Treasury Board Secretariat did commission the Goss Gilroy report to examine some of the very issues raised by the Auditor General. The report outlines a series of valuable lessons that we are now applying to government projects. That report, along with the Auditor General's recommendations, form foundational guidance for how government will manage projects in the future. That is an ongoing lesson, and something we are committed to do.

I would like now to turn briefly to the recommendation for the Treasury Board Secretariat in this most recent Auditor General's report.

[*Translation*]

The recommendation states that TBS should, for all government-wide information technology projects, carry out independent reviews of the projects' key decisions to proceed or not, and inform the projects' responsible Deputy Minister and senior executives of the reviews' conclusions.

● (1550)

[*English*]

We agree, of course, with this recommendation, and we will conduct independent reviews of government-wide projects, as Treasury Board, to identify and implement any required corrective actions. We will communicate the conclusions and remedial actions required, and we will, of course, follow up on those.

In the interim we are changing the role of the chief information officer to further ensure that government-wide IT initiatives are well planned and that we stay on top of the execution of those initiatives. We are also strengthening our policies and improving governance.

[*Translation*]

I would now like to update you on the progress we have made on the Auditor General's two recommendations from his fall report.

[*English*]

The first is that the secretariat, along with our colleagues in PSPC, establish timelines for departments and agencies to submit accurate pay information, and that we support our colleagues in PSPC and departments and agencies in the development of performance measures to track and report on the accuracy and timeliness of pay. I can report that the secretariat, in collaboration with PSPC, is making good progress. We will provide the information to this committee as soon as possible.

The second recommendation was that the secretariat, with the support of PSPC, along with departments and agencies, track and report back on the cost of resolving pay problems and implementing a sustainable solution. The office of the comptroller general has been working diligently on a government-wide cost estimate covering historical costs, the projected investments needed to stabilize the Phoenix system, and of course, the operating costs. The model is in place. We are undertaking the runs of that model. It is nearly done, but we are also making sure that the information is verified with our colleagues in PSPC.

The report has not yet been finalized, and I apologize for the delay in releasing the report. We expect to have it done shortly. It's important, however, in learning lessons from Phoenix, that we get this accurate and we are prioritizing accuracy over timeliness in this regard. Of course, we will be sharing it with the committee as soon as we possibly can.

[*Translation*]

I would now like to draw your attention to one of the Budget 2018 commitments to address the ongoing challenges with Phoenix.

The budget provided $16 million for TBS to work with experts, public sector unions, and technology providers on a way forward for a new pay system.

[*English*]

As we explore various options, we will have relentless focus on the user and a system that links HR transactions with pay transactions.

As much as we would like this to happen overnight or as quickly as possible, the reality is that we will need to take some time to get this right. That's an absolutely critical lesson. That means thoroughly applying all of the lessons, governance structures, and other approaches that we have learned through the very difficult lessons of Phoenix to this work going forward.

In conclusion, I would like to restate that my department, along with the senior management team, remain fully engaged on this file and we welcome and appreciate the dialogue with the Auditor General and with parliamentarians on this vitally important issue.

Thank you.

The Chair: Thank you very much, Mr. Wallace, for your testimony.

We'll now move into the first round of questioning. It's a seven-minute round.

We'll go to Ms. Mendès, please.

Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.): Thank you very much, Mr. Chair.

[*Translation*]

Thank you all for joining us once more.

[*English*]

For the record, Ms. Lemay, in terms of page 10 of your statement, you said 25 instead of 25,000 and considering that 25,000 is a very good number, I'd like it to be on the record.

[*Translation*]

Ms. Marie Lemay: Thank you.

Mrs. Alexandra Mendès: I am sorry. I wanted to be sure it was the right number.

I would also like to repeat that you were not the serving deputy minister when the pay system was launched, and neither was Mr. Linklater. Neither one of you was in the position at the time.

I see, however, that you have taken a lot of steps and acted in accordance with the recommendations in the auditor general's fall report. You have started to deal with many of these issues.

In the meeting we had with the Clerk of the Privy Council last Tuesday, something struck me. Both Mr. Wernick and Mr. Ferguson agree that the Phoenix system is a failure and they agree on the nature of the failure. However, they do not agree on the ideas of "incomprehensible" and "comprehensible".

I can see and hear your recommendations and your interpretation of the recommendations you have been given in the auditor general's two reports. I would like to hear your impression. In your view, are the mistakes in preparing, implementing and launching Phoenix comprehensible enough for you to be able to learn lessons on correct those mistakes?

● (1555)

Ms. Marie Lemay: In hindsight, yes. We are able to learn from it, and that is what we are doing at the moment. We will put them into effect.

Mrs. Alexandra Mendès: I should probably put that question to Mr. Ferguson.

[*English*]

For you, Mr. Ferguson, is the incomprehensible part more about how we got there and not necessarily the mistakes that were made, since we understand the mistakes that were made, but it's just that we don't understand why those mistakes were made or were allowed to me made? Is that how it was incomprehensible for you?

Mr. Michael Ferguson: Certainly, there is that nuance to that word "incomprehensible" in this context. Yes. You can look at it and you can understand all of the different decision points that were made and how those decision points or decisions that were made at those points led to implementing Phoenix when it was not ready to be implemented.

However, as I have said a number of times before, it is incomprehensible to me how it could have been allowed to happen.

Mrs. Alexandra Mendès: Yes.

Mr. Michael Ferguson: The way I've described that is, again, with all of the different controls in place in government, which are there to prevent something like Phoenix from happening, how was it possible that it could have happened?

Mrs. Alexandra Mendès: I think I got that and I understood that the nuance was more about "How could it happen?", if we have all this.

We understand what happened and we know where the mistakes were made.

[*Translation*]

However, Ms. Lemay, I am going to go back to some of the observations you shared with us, especially the one that, in 2009, when the decision to change the pay system was made, the priority went to cost and timelines, but not to the final objective that we wanted to achieve.

For more than a year, I have often been hearing that, in decisions about tendering, the government should be much more concerned about the end results than about the costs that will be involved or the timelines it has to meet.

In your opinion, is that part of the culture that we have to change in terms of the way in which the government does business with contractors?

Ms. Marie Lemay: Well, costs and timelines are always important. However, they must not be the dominant factor in the decisions. What we have learned over time is that investments must be made in order to reap the benefits of those investments. Spending more time to plan at the beginning of a project and taking the time to invest in good planning that will deliver the results is indeed a practice that should be put into place.

Mrs. Alexandra Mendès: I think that we can all agree that it would certainly have helped the system operate properly if the pay system experts who were already working in the public service had been kept. They would probably have been much better placed to train the new people who were going to be employees in the Miramichi Pay Centre sooner or later. In addition, they also already had a very instinctive understanding of what a pay system requires.

It seems logical to me. You can't send everyone with expertise in and a knowledge of the system off into retirement without really having conducted tests and reassured everyone that the new system is well managed and that it works properly. The fact that we have 1,600 employees in the pay centre rather than the anticipated 500 or 600, proves that we cannot do without human expertise.

Ms. Marie Lemay: As you said, I was not there when the project was being planned, but I was there when the project was put into operation. However, it became very clear that we were in catch-up mode from the outset. As you said, we lost a part of the capacity and the learning curve…Clearly the training was inadequate and the change management…A host of factors came into play, but because we did not have the capacity, we could not address the issues and we were in catch-up mode.

In June, we announced that we were going to have satellite offices and we started to hire people. However, those people were not always available any more and we realized that we really did need some expertise. We had difficulty recruiting employees and we had to train people again. Today, in fact, Mr. Linklater and his people are training new compensation advisors, because there are none. We have had to rebuild that capacity.

● (1600)

[*English*]

The Chair: Thank you, Ms. Mendès.

We'll now move to the first round of questioning for the opposition side.

[*Translation*]

Mr. Deltell, you have seven minutes.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you very much, Mr. Chair.

Ladies and gentlemen, welcome to the House of Commons,

[*English*]

First and foremost, we all have to make decisions in our lives and sometimes we make mistakes. However, the most important thing is to have the facts and rely on them, and be sure those facts are correct.

[*Translation*]

Clearly, if we make decisions based on flawed information, our decisions will be flawed as well.

Mr. Ferguson, earlier you said that the executives responsible for Phoenix didn't mention certain serious problems they were aware of, when they told the deputy minister of Public Services and Procurement that the system was launched.

If I recall correctly, you mention three Phoenix executives in your general report. Is that correct?

Mr. Michael Ferguson: Yes.

Mr. Gérard Deltell: Do these executives work for Public Services and Procurement Canada, or for another department?

Mr. Michael Ferguson: They work for Public Services and Procurement Canada.

Mr. Gérard Deltell: Therefore, they report to the deputy minister of Public Services and Procurement Canada.

Mr. Michael Ferguson: I believe that two of three of these executives reported directly to the deputy minister.

Mr. Gérard Deltell: In short, two of three of these executives work for Public Services and Procurement Canada, which is currently under the responsibility of Ms. Lemay.

Mr. Michael Ferguson: They reported to the deputy minister. All three of them were department employees. I thought your question was aimed at finding out whether these executives reported directly to the deputy minister.

[*English*]

Mr. Gérard Deltell: What I want to know is whether those three people are coming from the department.

[*Translation*]

Mr. Michael Ferguson: All three of them were department employees.

Mr. Gérard Deltell: These next questions are for you, Ms. Lemay, since it's under your responsibility. I'm aware that you weren't in the position at that time. I also want you to know that there's nothing personal here. I just want to know what happened, and who messed things up. I'm not interested in the names of these people. I want to know what they did, what they are doing and what they could still do.

Ms. Lemay, are these three people still working for the Government of Canada?

Ms. Marie Lemay: Two of these three people still are. I would like to clarify one thing. Mr. Ferguson said that two of the senior officials reported directly to the deputy minister. This was not the case for the third, who is an executive in Public Services and Procurement Canada.

Mr. Gérard Deltell: Two of three of these people are still working for the Government of Canada.

What about the third person?

Ms. Marie Lemay: That person isn't working for the Government of Canada.

Mr. Gérard Deltell: Why not?

Ms. Marie Lemay: The person retired.

Mr. Gérard Deltell: Okay.

What are the two people who are still working for the Government of Canada doing?

Ms. Marie Lemay: Both of them still work for our department.

Mr. Gérard Deltell: What do they do?

Mr. Chair, I'll repeat that it's not the people I'm interested in; it's what they did, what they are doing and what they might do again. What we're talking about is extremely serious. I'm recalling Mr. Ferguson's words—not my own. These people did not mention certain serious problems they were aware of. All of this stems from that.

Ms. Marie Lemay: Mr. Deltell, I will answer your questions, but I would like you to understand the following. Both of the executives who reported to the deputy minister made mistakes. We know that, the Auditor General said it. However, he also said that there were flaws in governance and oversight. In targeting two or three people, we may well lose sight of the other lessons learned.

These people still work for my department. If I tell you their positions, you will easily be able to find out who they are. If you want, I can send you this information in writing.

Mr. Gérard Deltell: What worries me a bit is knowing that these people still have a job at the Government of Canada, despite the fact that they didn't mention certain serious problems. As a taxpayer and a representative of the people, I am worried about that.

Ms. Lemay, you said that the priority was given to costs and timelines. How is this related to the fact that these people didn't mention certain serious problems they were aware of? They knew what was happening, and they knew that it was serious, but they said nothing about it.

What is the link between that and the fact that you weren't aware of either the costs or the timelines, because time was an issue?

Ms. Marie Lemay: I do not really have the same information as Mr. Ferguson on that. In any case, these people were evaluated. There weren't any bad intentions behind it. Nobody acts like this so that the system doesn't work. The fact remains that these people were evaluated, and they suffered the consequences.

Mr. Gérard Deltell: Which are?

Ms. Marie Lemay: First, they did not receive any performance pay that year for implementing the system.

● (1605)

Mr. Gérard Deltell: I hope not.

Ms. Marie Lemay: Federal government executives often have more than one project, yet these people did not get any performance pay. Furthermore, they are no longer working in the pay section.

Mr. Gérard Deltell: Some penalty that is! These people changed sections, but have the same function, the same salary, the same benefits and the same pension. Is that it?

Ms. Marie Lemay: No, not necessarily.

Mr. Gérard Deltell: Okay.

Earlier, you said something relatively serious. You said that you didn't really agree with Mr. Ferguson's findings.

Ms. Marie Lemay: Actually, I didn't say that.

Mr. Gérard Deltell: You said, "I don't agree".

Ms. Marie Lemay: I said I didn't really have the same information as him. I do not have the information that Mr. Ferguson has. I do not know what the employees said or didn't say to my predecessor.

Mr. Gérard Deltell: Ms. Lemay, that is the heart of the problem. The final decision was made based on misinformation, because three executives didn't give the information they were aware of.

Ms. Marie Lemay: That's what Mr. Ferguson said in his report.

Mr. Gérard Deltell: Do you agree with that or not?

Ms. Marie Lemay: I cannot agree or disagree, because I was not in that office. I do not have that information. When I ask the question, I don't get the same answer.

Mr. Gérard Deltell: Of these three people, two are still under your responsibility. Are they telling you this isn't true?

[*English*]

The Chair: Thank you, Mr. Deltell.

[*Translation*]

Ms. Marie Lemay: They do not agree with Mr. Ferguson's findings.

Mr. Gérard Deltell: Okay, in that case, we would like to hear what they have to say on this issue.

[*English*]

The Chair: Thank you, Ms. Lemay and Mr. Deltell.

Mr. Christopherson, you have seven minutes.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you very much, Chair.

My apologies to you and my colleagues. I think it was mentioned that I was in the House for the tribute to my former leader and, as one of his former deputies, I definitely wanted to be there. I hope you understand.

This is one of those times—after 14 years—when you read this report, and you're still like, how can this be?

I recognize and I'm going to do my best to keep separate the issue of the one-off here, versus the broader cultural issues that we'll pick up on Tuesday. There might be some overlap, but my intent will be as much as possible to stay focused on this report.

Having said that, you can't escape certain words that have been used. I've been around long enough in the public accounts business, and done enough international public accounts business, to know that when an Auditor General of the rank and status in the world that our Auditor General has, Mr. Ferguson, uses words like an "incomprehensible failure", in that world, that's about as close to swearing as you can get.

I would like to ask Mr. Ferguson something, and the other two reps can get ready, because I'm going to be coming to them next.

That's a huge statement. The last time I saw anything that wide in its scope and that scathing was, quite frankly, the sponsorship scandal, where virtually every rule that was there was broken. You really have to go back that far to find something that is this big in its breathtaking failure.

Mr. Ferguson, you said "incomprehensible failure". Obviously you're speaking to a lot of the checks and balances that didn't work, because we've heard that there are robust systems in place, and check and balances. I want to give you an opportunity, for my opening remarks, to put a little more flesh on the term "an incomprehensible failure". Why the word "incomprehensible", sir?

● (1610)

Mr. Michael Ferguson: As I explained earlier, you can go through all the different decision points in the steps, and it is comprehensible to understand those decision points and when different decisions should have been made to correct the problem.

What's incomprehensible, as you said, is how nobody said that this was not going to work. How did nobody say that this needs to be delayed, that it needs to be stopped? Why was it that all of the checks and balances that had built up over the years, many probably coming out of Auditor General report recommendations to put more checks and balances in place, were not sufficient to be able to stop Phoenix?

To me, that is what is incomprehensible.

Mr. David Christopherson: Thank you.

To the secretary and the deputy, help me understand how you presided over something that could be such an incomprehensible failure. How did virtually all the checks and balances fail?

Ms. Marie Lemay: First of all, neither of us presided over that, because we were not there. However, I will tell you the lesson for me in this, and that's what we have put forward.

It's very clear that, as I said, we manage a lot of projects. We have rules and we have playbooks for projects. This was an enterprise-wide IT implementation, a transformation, and clearly we didn't have, in my opinion, the proper playbook and the proper gating.

Now what we're doing at PSPC is that, when we have big projects like that, we look at the project and we ask ourselves, "Is this one of the projects that can go through with the process, or is this one that needs to have a different way?" Do we need to have a different approach on governance? Not every project needs deputy-level involvement, for example. An enterprise-wide project needs attention at a different level. What kind of oversight do we need when it's enterprise-wide?

We are developing that. It is a big lesson learned and, in my opinion, that's part of the reason, one of the points, why that was missed, so we will develop that.

Mr. David Christopherson: Thank you.

That's not very satisfactory, I'm afraid.

Go ahead, Mr. Wallace. Give it your best shot.

Mr. Peter Wallace: I do want to pick up and echo the language, in terms of the respect for the AG, and I do want to emphasize that this is an incredibly important set of findings that we take extraordinarily seriously.

The reality is that information technology projects are high risk, and many of them do fail. The literature is pretty clear that a very high percentage fail. The challenge is not in failure. The challenge is in catastrophic failure. We understand that the path to that catastrophic failure was long and complex. The corrections will be long and complex.

We have, of course, put in a large number of additional steps, like enterprise gating and a variety of other things. We can go through them. They are simply additional steps. As the Auditor General correctly points out, if those controls failed, we need to understand what would actually happen with additional controls.

We are, in fact, undertaking a very serious conversation internally as well, about something fundamental. The Auditor General has used this language as well. The controls and processes we put in place cannot only be followed in form. They need to be followed in substance as well. That is a rich, incredibly appropriate, and necessary dialogue. We are engaged in that.

Mr. David Christopherson: Thank you. I appreciate your brevity.

I hear you. I've been involved in IT implementation from the beginning, when I was back on city council in the 1980s, as these things came in. I understand how complex they are, but that's not going to cut it.

I want to refer you to page 10 of the Auditor General's report, where they're talking about the human rights that staff have to have their personal information taken care of. That has nothing to do with IT alone. That has to do with whether or not you consider, as a government on the bureaucratic side, personal information. I mean, take a look at what was said here:

> The Department did not complete a final privacy impact assessment before implementing Phoenix. The Privacy Commissioner of Canada has reported numerous privacy breaches of federal employees' information in Phoenix after it was put in place.

That's got nothing to do with IT. That's not taking seriously the privacy rights of the people that work for this government.

Give me a better answer than just saying that IT is difficult.

Mr. Peter Wallace: I will answer this carefully and respectfully, because in no part of my answer am I trying to minimize the depth of privacy rights, impact on taxpayers, impact on employees, and loss of value for the Government of Canada. We fully accept that and are deeply concerned about that.

There are incredibly important lessons to be learned from this. They are lessons that are technical, in terms of the way we establish governance. They are also lessons that relate to how we run the system, including the culture. We understand and accept that. We are undertaking the dialogue to ensure that this fundamental notion.... I will echo your language around respect. I will echo the Auditor General's language around substance and not just form. I will echo some other language that's not tunnel vision, that we actually walk the talk and do the job. It's absolutely, completely essential that we do that.

We stand accountable for those errors. I will work as hard as I possibly can to make sure that those elements do not happen again. With respect, and to be very clear, there will always be risks. The challenge is not whether it's IT or other things. The challenge is not that projects are difficult. The challenge is that when we do not act appropriately, we do not find the ways of addressing those challenges and we make the fundamental errors. We have made them. We will learn from that.

● (1615)

The Chair: Thank you, Mr. Wallace.

We will now move back to Mr. Lefebvre, please, for seven minutes.

Mr. Paul Lefebvre (Sudbury, Lib.): Thank you, Mr. Chair. Thank you everyone.

[*Translation*]

Ms. Lemay, I would first like to thank you for your report. You gave us information on what's to come, on the way you will fix the system, and on the measures you have taken to this end.

Mr. Ferguson, did you hear Ms. Lemay tell us about measures that were taken to fix the system? Do you believe that the department is on the right track?

Mr. Michael Ferguson: Once again, it's hard for me to answer that, because we haven't done any audit work on those figures, or on the work accomplished since our audit.

Clearly, there seems to be progress, but it is very important for the department to clearly describe it, and provide all the appropriate information.

Mr. Paul Lefebvre: Okay, thank you.

[*English*]

We're here because in your report you said how we got here. Now we're asking how we make sure that it never happens again.

Madam Lemay, in her opening statement, showed that the department is putting in measures to make sure that this doesn't happen again. It will obviously be to history to judge that, and to us to make sure it doesn't happen again.

One of the questions we're always asking is how this happened. Madam Lemay mentioned in her opening statements—your conclusion, Madam Lemay—that cost and timelines were prioritized and constrained the outcomes of this project, and that in this context, poor decisions were made.

Mr. Ferguson, in your opening remarks you said the decisions by PSPC to remove critical pay functions, critical system tests, and forego a pilot implementation of the system led to the failure of the opening of this project.

On one hand, we have Madam Lemay saying the cost and the timelines were why the PSPC decided to remove critical pay functions, critical system tests, and forgo a pilot implementation of the system.

Do you agree with that, Madam Lemay?

Ms. Marie Lemay: Yes.

Mr. Paul Lefebvre: Do you also agree with that, Mr. Ferguson?

Mr. Michael Ferguson: Certainly, we said that the people responsible put the emphasis on delivering the project within time and on budget.

Mr. Paul Lefebvre: Okay.

Now, who determines the timelines and the costs of these projects?

Ms. Marie Lemay: The part that was driving most of the timeline was the fact that the compensation advisers were being let go, so there was a—

Mr. Paul Lefebvre: When had they been let go?

Ms. Marie Lemay: I believe it was in 2014. I could give you the proper dates. There were three waves, but it was around that date that the letters were sent out.

Mr. Paul Lefebvre: Did you not have the human resources at the time to continue with the old program?

Ms. Marie Lemay: That's correct.

The cost is established through a process where you go to the Treasury Board, you get approval, and then you have your authorities to work within those envelopes to deliver a project.

Mr. Paul Lefebvre: Sorry, you just said that basically, you had to go to the Treasury Board to ask for more money.

Do you recall if the minister went to the Treasury Board to ask for more money? Obviously, the cost and timelines were not sufficient for the project.

● (1620)

Ms. Marie Lemay: Again, I wasn't—

Mr. Paul Lefebvre: I know you weren't there.

Ms. Marie Lemay: —there, but I do know the decision was made to work within the budget and not ask for more.

Mr. Paul Lefebvre: Because we worked within the budget....

Mr. Ferguson, do you agree that they decided at that point to curtail the system tests, remove the critical pay functions, and forgo a pilot implementation of the system because they didn't have the means to do it?

Mr. Michael Ferguson: They made those decisions. As we explained in the report, they had an original IT budget of $155 million. When they went to IBM to say what they wanted the system to do, IBM said it would cost $274 million. That was when the project executives decided to reduce the functionality in the system, to not do the pilot project, and those types of things—at that point in time.

Mr. Paul Lefebvre: Again, who decides on the budget? I just want to make sure I fully understand that.

Mr. Michael Ferguson: Again, the budget would have been approved by Treasury Board when the project was approved.

To me, though, the fundamental issue here was that the department, in my estimation, had a responsibility to go back to Treasury Board either to ask for more money or to tell Treasury Board that the project would not deliver the $70 million a year in savings that it had originally been predicted to produce. One way or another, they should have gone back to Treasury Board.

Mr. Paul Lefebvre: Fine.

When we talk about Treasury Board—just for the Canadian population out there—I hear that it's the bureaucrats that need to go to Treasury Board and ask for more money. From what I've learned —and the Clerk of the Privy Council told us—the minister is the one responsible for asking for more money from the Treasury Board, not the deputy ministers.

Is that correct?

Ms. Marie Lemay: That is correct.

Mr. Paul Lefebvre: The minister is the one who is responsible to go and ask for more money at Treasury Board, not the deputy ministers.

I know I'm making you repeat this, but it's unclear. I just want to make sure.

Ms. Marie Lemay: The request is made by the minister to the ministers at the Treasury Board.

Mr. Paul Lefebvre: So, obviously—

Ms. Marie Lemay: Maybe the Treasury Board might be able to give you more on the process.

Mr. Paul Lefebvre: The budget was never increased to make sure...and so it was curtailed.

All the tests, checks, and balances that you, Mr. Ferguson, have stated needed to be put in to make sure the project was successful they didn't do, because obviously, we can conclude, they didn't have the budget to do this and they never went back to Treasury Board to ask for more money to make sure that these measures were all put in place.

Is that correct, Mr. Ferguson?

Mr. Michael Ferguson: Again, yes, they decided to cut back on the functionality, and as the product progressed, the importance of those functions that they had decided to cut back on became more and more evident. They should have been able to realize that cutting out things like being able to pay people retroactively was going to have a significant effect on the performance of the system.

Mr. Paul Lefebvre: My last point—

The Chair: Be very quick.

Mr. Paul Lefebvre: You mentioned that obviously these payroll specialists had been let go.

In February of 2016—and the Clerk of the Privy Council alluded to this—when the decision was made to go forward with Phoenix, there was no system to go back to, because obviously it was a manual system. They had been doing it manually and there were no more human resources to input the information manually.

Is that the case, Madam Lemay?

Ms. Marie Lemay: It was a very old system. The Auditor General had raised issues with the system that was there. There was a lot of manual process; that's correct.

When the rollout started, it was rolling to the new system from the known system. The only system that was there was for the data, for some data, but not for the transactions and the processes.

The Chair: Thank you, Mr. Lefebvre.

We will now move to Mr. McCauley, please.

Mr. Kelly McCauley (Edmonton West, CPC): Great. Welcome back, everyone.

Gavin Liddy, in this very room two years ago in July, testified about Phoenix that they delayed laying people off because they knew the system wasn't ready.

Is there a reason why we couldn't have extended that even more?

Ms. Marie Lemay: If you remember, it was originally going to be September and November. Then it went to February and April, April being a pretty significant month in the world of government, so it was end of fiscal year. Any extension would have required departments to go back and ask for money for the following year, because they would all have needed it to rehire people. That's why.

Mr. Kelly McCauley: But Mr. Liddy testified that they delayed the layoffs because they knew it wasn't ready in September or October, and then he later testified that these people were still around. The question came up as to why we couldn't run two similar systems. He testified that some people had been transferred over to Miramichi, and the other people were getting ready to transfer but were still there.

We knew. The warning signs were out, because we saw the Gartner report that was published, and all of the other things were coming forward.

Was there a reason why we couldn't just delay further, as had been done before?

● (1625)

Ms. Marie Lemay: Yes.

The first delay—

Mr. Kelly McCauley: Can you just be brief? I have a bunch of other questions. Sorry.

Ms. Marie Lemay: The first delay was based on recommendations from discussion with IBM, others, and the departments. There was a window to be able to delay to February and April. My understanding is that when the decision was made to launch in February, there were discussions with IBM. They agreed with the workarounds that were proposed, and the—

Mr. Kelly McCauley: So delaying the layoffs was the right thing to do in September, and we probably could have done it....

Ms. Marie Lemay: end of April was a significant date because there was no more money in departments to retain these people.

Mr. Kelly McCauley: However, if you read the testimony, you will see that several departments—Health Canada and several others—actually kept some of their full complement of staff to address some of the worries with Phoenix that had been identified, such as for people who do long shifts and for those on "five on, five off".

According to Mr. Liddy, it could have been possible.

Let me just move on quickly to your departmental plan. I want to get to your action plan as well. Your departmental plan shows 95% delivery of paycheques correctly and on time. We've heard before that's an aspirational target, not a real target, and I understand that. What is our real target on delivering these services to our public employees for this year, and what are we at right now? Last year, we were at 36% for the year.

What are we currently at for success, and what realistically can we get to?

Ms. Marie Lemay: Maybe I'll ask Mr. Linklater to answer that one.

Mr. Les Linklater (Associate Deputy Minister, Department of Public Works and Government Services): From the departmental report, we do have service standards across the board, in terms of our services. We do feel that we owe it to employees to be able to—

Mr. Kelly McCauley: What are we at now for delivering and what can we realistically get to? We've been told the number in your departmental plan is not an accurate or realistic number. What can we get to?

Mr. Les Linklater: With our last public dashboard, which was posted a week or so ago, we were meeting service standards 60% of the time.

Mr. Kelly McCauley: That's a good jump from last year, then.

Mr. Les Linklater: Yes.

Mr. Kelly McCauley: Seeing as we've gone from 36% to 60%, what do we hope to get to by the end of the year?

Mr. Les Linklater: I would like to see continuous improvement.

Mr. Kelly McCauley: We all would.

What will we get to? What's realistic?

Mr. Les Linklater: I think it's realistic to assume we should probably maintain 60%, if not improve.

Mr. Kelly McCauley: We went from 36% to 60% but we don't see anymore improvement, even with...?

Mr. Les Linklater: I would hope there would be more improvement, given the number of initiatives that are under way, but it would be impossible for me to quantify that number today.

Mr. Kelly McCauley: That's fair enough.

The $307 million, the stabilization plan for Phoenix—stabilization of future transformation—can you give us the breakdown of what that money is going to be used for? How much of it is going to be used just to maintain 60%? How much is for other projects within that place?

Mr. Les Linklater: A significant portion of the funding we have this year is to maintain and increase our staff augmentation.

Mr. Kelly McCauley: Specifically this $307 million in the estimates...?

Mr. Les Linklater: Yes.

It's particularly for the HR capacity that we continue to grow. We also have expenses for technology, including for the vendor, IBM.

Mr. Kelly McCauley: How much for IBM?

Mr. Les Linklater: I don't have the specifics with me, but we can provide them to the clerk in writing.

Ms. Marie Lemay: I don't have it with me. I'm sorry.

Mr. Kelly McCauley: I'd like to clear up something. An access to information came back from your department clearly identifying not clearing the backlog as the main problem with Phoenix. We have other testimony that says the slow transformation and the difficulty in tackling the new software was underestimated. Your own department, in the advice of the minister, said...blamed for not clearing the backlog, but then we're hearing all these other issues from Mr. Ferguson and you.

Mr. Ferguson identified a lack of public trust. How can we have a sense of trust when items we've accessed on our access to information say one thing from your department, but then publicly we're hearing other things?

Ms. Marie Lemay: I think one thing that is absolutely clear is that not one single thing made this thing go wrong. There are a number of elements. That's why I keep talking about the multiple points of failure.

Mr. Kelly McCauley: The access to information identified that and one other as the main things.

The Chair: Thanks, Mr. McCauley. We'll come back to you.

We'll now move to Mr. Chen. You have five minutes.

● (1630)

Mr. Shaun Chen (Scarborough North, Lib.): Thank you, Mr. Chair.

First I want to acknowledge that it is National Public Service Week, and it is a time for all Canadians to express their thanks for the hard work of our public servants. As Ms. Lemay alluded, great work is being done such as pension modernization and a long-term plan for our parliamentary precinct, all within Public Services and Procurement Canada, which of course now takes me to Phoenix.

I agree that Phoenix was a complex undertaking from the start. As has been pointed out today, getting together on one new system, a 40-year-old legacy system, 290,000 federal employees, 101 departments and agencies, all with different pay systems and functions is a tremendous undertaking. But it seems to me that basic project management best practices were simply ignored.

Four officials, including the project director and three executives from PSPC, as Mr. Deltell had inquired about, were in charge of the Phoenix project. The Auditor General, in his report—paragraph 1.32—wrote:

> ...Phoenix executives scaled back the project's functions to save money or time. In the spring of 2012, after the planning phase of Phoenix, IBM told Public Services and Procurement Canada that Phoenix would cost $274 million to build and implement. The Treasury Board had approved a Phoenix building and implementation budget of $155 million in 2009. We found that Public Services and Procurement Canada did not consider asking the Treasury Board for more money to build and implement Phoenix. Instead, Phoenix executives decided to work with IBM to find ways to reduce the scope of work to fit the approved budget.

How could that have happened? How could a team of four people, without considering the vast array of functionality that was required and set out through the various departments that were going to be using this new system, in the presence of IBM, which was there to customize and build the software to specific project requirements, and PeopleSoft, which had developed the software platform to process the pay that was going to be customized by IBM...? With the people involved at the table, somebody must have said this system is not being tested properly, that this system will not work because functionality is being removed and the entire purpose of standardizing and bringing forward a new modernized system of pay is to ensure that it provides the functionality that is needed.

How could this have happened? How did that team of four people make that decision without anyone noticing?

Ms. Marie Lemay: I will point to a couple of other points of failure, I believe. One of the things that I think was really missed was that there was no holistic view of this implementation from one end to the other, including the HR processes.

When decisions were made, they felt that they had the appropriate workarounds, but always looked into.... This is my assessment of it. I'm trying to help you understand this, because that's what I understand from it and my assessment of it. That holistic view was not there. They didn't do these workarounds, and they mitigated, in their minds, the risk, but risks were not looked at cumulatively and holistically.

Another example is that you have departments that did not let go of their compensation advisers. If you look today at those departments, they are doing much better than the ones that lost their compensation advisers. In fact, 20% of their transactions.... Our queue is about 20% over 30 days, whereas the other departments were at 70%, so it's a combination of a number of things that really lent to—to use the words of the clerk—the perfect storm of this failure.

Mr. Shaun Chen: I'm trying to understand if it's incompetence or bad planning and a lack of proper judgment, because, if there were risks, and those risks were mitigated, when you reduce or remove functionality from a new system that is supposed to be mirroring requirements that have been met through the various legacy systems that were in place in the departments....

What was the plan? How were you going to restore those functionalities? Were they taken offline? Was there a contingency plan to address that functionality that was removed?

● (1635)

Ms. Marie Lemay: Obviously, the decision in hindsight was not the right one, but there were mitigation measures. These retroactive of acting, for example, were implemented later.

They weren't the right decisions, clearly, but again, when you ask how they made these decisions, the only thing I can see is that it was that everyone was looking at this in isolation and not at the end of this. There was no global oversight.

The Chair: Thank you, Mr. Chen. You're already way over.

We'll now move back to Mr. Deltell, please.

Mr. Gérard Deltell: Thank you so much, Mr. Chair.

I want to get back to the conversation we had earlier with Madame Lemay.

[*Translation*]

Ms. Lemay, you said that the three people in question did not share the same vision as Mr. Ferguson. Can you tell us more about that?

Ms. Marie Lemay: Please understand that, with human resources, there is still a part that is private.

I had to evaluate these people. Remember that we delayed the evaluation, because we wanted to have the reports from Goss Gilroy Inc. and the Auditor General's first reports. I did my evaluation with the information I had at the time. I found that these people did not deserve to receive their performance pay, and had to be moved.

Mr. Gérard Deltell: Okay.

I should have clarified my question. I didn't want to know whether or not they deserved their bonuses—I think the answer is obvious.

Mr. Ferguson wrote in his report that three people hadn't mentioned the serious problems they were aware of. Do these three people agree with Mr. Ferguson's statement that they knew things but didn't speak out? Do these three people agree with that, yes or no?

Ms. Marie Lemay: We talk through an intermediary, but I don't think they agree. You'd have to ask Mr. Ferguson because I didn't have that conversation.

Mr. Gérard Deltell: Thank you, Ms. Lemay. You took the words right out of my mouth.

Mr. Ferguson, the situation is quite serious. Have you spoken to these three people? Do you have any documents showing that they withheld information?

Mr. Michael Ferguson: Of course, we talked to these three people. We asked them questions about each of their decisions. We also reviewed the background documents that were discussed with the deputy minister.

I'll ask Mr. Goulet if he has any details on each of these conversations.

Mr. Jean Goulet (Principal, Office of the Auditor General): We spoke with each of these people, and they told us that they believed that the system was working as intended. They had a certain vision of how the system should work and were basically sticking to it.

Mr. Gérard Deltell: We aren't talking about a vision here, but about a problem

Mr. Jean Goulet: Yes.

Mr. Gérard Deltell: Mr. Ferguson, in your remarks, you said that the executives responsible for Phoenix hadn't mentioned any serious problems they were aware of. You are now telling me that these people didn't have the same vision of how the system works, but that isn't what I'm asking you.

Did these people withhold information that revealed serious problems, yes or no?

Mr. Jean Goulet: All I can tell you is that they did not pass on all the information they had.

Mr. Gérard Deltell: On the serious information?

Mr. Jean Goulet: Yes.

Mr. Gérard Deltell: It led to the problem.

Mr. Jean Goulet: Yes.

Mr. Gérard Deltell: Ms. Lemay, you said that you didn't think they would agree. You didn't use the present tense to say that's really what these people feel.

Do they feel that gave all the information, yes or no?

Ms. Marie Lemay: I'm convinced these people feel they haven't misled anyone.

Now we have a lot of information on projects. I don't know exactly what Mr. Goulet considers essential or important. That wasn't part of the discussion. These people would probably tell you that they never intended to pass on the wrong information that made the system not work.

Mr. Gérard Deltell: Ms. Lemay, this brings to mind the old adage that you should never lie, but you don't have to reveal everything.

I'm not calling these people liars, what I'm saying is that they had serious and important information, and they did not give it. In fact, I'm not the one saying this; it's the Auditor General. Is that correct or not?

Ms. Marie Lemay: I don't know because I wasn't there.

Mr. Gérard Deltell: I think the best way to find out is to allow these three people to tell us their side of the story. Do you agree with that?

Ms. Marie Lemay: It isn't up to me to answer that. I don't know what to tell you.

Mr. Gérard Deltell: We must shed light on the next steps surrounding this essential, important and pivotal issue. I remind you of what I told you earlier, that there is nothing personal about this. How can we make the right decisions if we don't have the right information?

● (1640)

Ms. Marie Lemay: Mr. Deltell, I would ask the committee to think carefully about this: to think that two or three people have succeeded, voluntarily or involuntarily, in causing the situation we find ourselves in today, which is a catastrophic failure, is really to simplify things.

[*English*]

The Chair: Thank you.

[*Translation*]

Ms. Marie Lemay: It's a complex project with many—

[*English*]

The Chair: Mr. Deltell, we can maybe come back.

We'll now go to Mr. Arya, please, for five minutes.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

Madam Lemay, I would like to focus on the IBM report, which said that it would take $274 million against the budgeted amount of $155 million. When IBM submitted that report, I think the executives informed the deputy minister, correct?

Ms. Marie Lemay: I'm not certain about that.

Mr. Chandra Arya: You didn't check that, it being such a big thing, that project going ahead with just 55% of the expected expenditure, and the executives didn't discuss that with the then deputy minister.

Ms. Marie Lemay: You'll just remember that I was not there. I'm saying that—

Mr. Chandra Arya: Didn't you find out whether they discussed that with the deputy ministers?

Ms. Marie Lemay: I've been so focused on fixing the pay issue since I've arrived that I've just started to be able to look at putting in best practices to make sure that we don't.... The details about—

Mr. Chandra Arya: I'm sorry, it's not the details. If you are to trace back all the problems we have with Phoenix today, it goes back to this fundamental basic decision of going ahead with this project with just 55% of the required amount.

Ms. Marie Lemay: The budget was approved.

Mr. Chandra Arya: The budget was approved for $155 million. IBM said $274 million. These executives, without discussing with the deputy ministers, at least in my view, they couldn't go ahead.

Ms. Marie Lemay: I don't know what to tell you. Again, I was not there. The one thing that I can tell you is that IBM agreed to go ahead with this.

Mr. Chandra Arya: The decision was made by whom to proceed with 55% of the required amount?

Ms. Marie Lemay: At the end of the day, deputies are accountable under their watch, but executives work.... Was the decision at that point made by the person, or was it discussed with the deputy? I don't know.

Mr. Chandra Arya: Suppose there's a project today that comes to your table and the executives come and say this project requests $274 million, but the budgeted amount is $155 million. Will you, as deputy minister, decide to still go ahead with the project, or will you bring it to the notice of the minister?

Ms. Marie Lemay: This is a really good question because I just told you when we started that we manage 430 plus 2,500 projects. It's about 3,000 projects that go on at PSPC. They're not all the same, which is what I was saying earlier. I think what we're missing—

Mr. Chandra Arya: This is not one tiny project.

Ms. Marie Lemay: That's it, so we need to be able to say at the beginning, "Does this project require special attention from the deputy head level? What is the oversight for these special projects with the government?"

Mr. Chandra Arya: No, I'm sorry, that is not what I'm asking. If it comes to you today that a project requires $274 million and the budgeted amount is $155 million, will you decide to go ahead with this project without getting the concurrence of the minister?

Ms. Marie Lemay: I don't need the concurrence. I would need to make sure that I inform, to make sure that's it.... If I think there's an issue, I would....

I mean, we're talking about a hypothesis here, but I would definitely—

Mr. Chandra Arya: It's not a hypothesis. This actually happened. Suppose the same thing comes to you.

Ms. Marie Lemay: Okay. I will answer this differently. I apologize.

What would I do in a situation like that? I'd sit down with the staff and we'd go through it. I would need justification and explanation.

If there's a good reason why we should go ahead, and I'm comfortable with it, that's how I would brief them. If not, I would send it back to the drawing board.

Mr. Chandra Arya: How can one be comfortable going ahead with any project, whether it's an IT project or a building project, with just 55% of the amount required?

Ms. Marie Lemay: For the same project...? No. But if it's okay to split it into.... You're asking me a loaded question there.

For the same project, no.

Mr. Chandra Arya: I will come back to you, because I have limited time.

I have a question for Mr. Goulet.

● (1645)

The Chair: Very quickly.

Mr. Chandra Arya: When you talked to the executives, did you ask them with whom they discussed going ahead with the project, where they got the approval, or who made the decision to go ahead with the project?

Mr. Jean Goulet: This information was ascertained on the basis of the documents we have and conversations with a variety of individuals.

Mr. Chandra Arya: No, my question is this. Did you ask them who made the decision to—

The Chair: Thanks, Mr. Arya.

Mr. Chandra Arya: It's four and a half minutes.

The Chair: Yes, I know you've, but you have five seconds left, so let him finish his—

Mr. Kelly McCauley: Is that the chairman's prerogative?

The Chair: No, no.

Okay, Mr. Arya, finish quickly, please.

Mr. Chandra Arya: Did you ask who made the decision to go ahead with this project implementation with just 55% of the amount required?

Mr. Jean Goulet: We asked one individual, and they basically said that they did.

The Chair: Thank you.

We'll now move to Mr. Christopherson.

Mr. David Christopherson: Thanks, Chair.

I have two areas. I don't know if I'll have enough time, but I see that we have time on the clock. I'm hoping colleagues will agree that if we have residual questions we'll use that time to do that, but I only have two right now, assuming I get satisfactory answers.

The first thing I want to do is to point out to colleagues and everyone that this Auditor General is constantly looking at individual reports and trying to extrapolate from that government-wide problems, which, if addressed on a government-wide basis, would help us to avoid these kinds of things.

I'd just like to point out that it wasn't that long ago, colleagues, that Mr. Ferguson was here telling us that in his view, what government needs to do is to "do service well". By that, he meant to measure the impact on the citizens who are affected, and to ask whether they are getting the service and whether they are getting the value. In this case, that constituency would be the people who work here, and I just want to point out that the deputy has mentioned a couple of times that one of the things they did wrong was to measure internally how well we moved from one desk to another or from one step to another while losing sight of the holistic overview.

As we go about looking at the Auditor General's sweeping remarks about overall government, let's understand that his track record is pretty good in terms of recognizing areas that are problematic across the board. This is just a prime example of getting yourself lost in the details and forgetting what it is all about. It is all about making sure that the people who work for this government get paid in a timely fashion and in an accurate fashion, and that got lost.

Next week, when we visit the other issue that the Auditor General has raised, I would hope we keep in mind that his track record on these kinds of things is very good.

I'm just a simple guy from Hamilton, and I have trouble understanding how it is that the departments went ahead without doing the test. To me, it was like somebody putting on a major play and saying, "Meh, dress rehearsal, shmess rehearsal. We don't need to worry about that. Let's just go straight to it." Speaking from the report, the Auditor General says:

> We also found that Public Services and Procurement Canada did not test Phoenix as a whole system before implementation and did not know whether it would operate as intended....
>
> A pilot would have allowed the Department to determine if the system would work in a real setting without affecting pay that was still being processed by the old pay system....
>
> This pilot was the Department's chance to test a final, live version of Phoenix before implementation.

Here's the punch line:

> The pilot could have allowed the Department to detect problems that would have shown that the system was not ready.

It's just a common sense point of view, and I'll start with you, deputy. How could it be that a test to see if it works was deemed to be something superfluous and was set aside in whatever other interest, budget or otherwise? How could that final test, as one of the checks and balances, ever be just brushed away by someone making responsible decisions? How could that be, deputy?

Ms. Marie Lemay: My understanding is that they had mitigation measures for that, too, but clearly it was not a good decision.

● (1650)

Mr. David Christopherson: I remain underwhelmed, Madam.

Mr. Wallace, the Treasury Board Secretariat is there to provide a sort of backstop, the overview of what the ministries are doing to make sure that they're adhering to policies. I have to believe that at some point it appears on one of your dashboards or checklists, or somewhere, whether they did an actual test, especially when it's a system. I would imagine that National Defence does a whole lot of tests before they implement systems. Help me understand how the Treasury Board Secretariat missed this as well.

Mr. Peter Wallace: To go back to your earlier analogy, they actually edited the play first. I think we need to understand the depth of the dysfunction and challenge associated with that. You are absolutely right that Treasury Board does have a challenge function and an oversight function. The Auditor General is absolutely correct that this was followed in form rather than substance. The reality is that the boxes were checked but the values were not lived. The reality is that we work with human beings, and the reality is that we need to be absolutely on top of that.

The lessons learned here are not only about additional steps, barriers, layers, supporting requirements, and all of those things. They are fundamentally about the way we work as a system, and the relationship of Treasury Board in ensuring that at the start of projects, in the middle, through the green-lighting, and through the stage gates, for the elements that are put in there, appropriately, the values are actually lived.

The Chair: Thank you, Mr. Wallace.

Every once in a while we just get a few questions from the table as we write this report, but we have used the dress rehearsal analogy here. Is it possible, Ms. Lemay, that maybe there is no use having a dress rehearsal if it's obvious to everyone that it's not ready to go? Is that a possibility?

If they postpone a pilot project, it doesn't mean they've completely cancelled the pilot project. If they have postponed a pilot project, we wouldn't assume that there would never be a pilot project. However, there may have been a number of reasons for cancelling that pilot project in June of 2015, and one may have been that they knew it wasn't ready to go. With the pilot project, that's possible.

Ms. Marie Lemay: With the pilot project, I'm assuming it's that or the time. It's one or the other, right? My understanding is that in doing the pilot project plus the other things, there was a time constraint. Again, we go back to the launch with the compensation advisers who were leaving, so that was part of the time frame they were looking at.

My understanding, too, is that they had these conversations with IBM and others about how to go about this, and that was the decision that was made.

The Chair: Exactly when did you come into your position?

Ms. Marie Lemay: It was April 11.

The Chair: On April 11, when you came into that position, were you given a transition binder? Did you have a new transition binder of the sort they give to most deputy ministers or ministers?

Ms. Marie Lemay: I did.

The Chair: Did the briefing binder contain the Gartner report?

Ms. Marie Lemay: Not to my recollection. We didn't even have the Gartner report until I found out about it when we were here, I think, at committee. The binder is really big, though, and I'd have to go back. My recollection is that the Gartner report was not in there, but I could confirm that if you want.

The Chair: When did the government order the Gartner report?

Ms. Marie Lemay: It was the Treasury Board that ordered the Gartner report. I believe it was January or December, or was it before Christmas?

Ms. Sandra Hassan (Assistant Deputy Minister, Compensation and Labour Relations Sector, Treasury Board Secretariat): There was a public service management committee meeting during which Phoenix was discussed. Further to that discussion, the former secretary of the Treasury Board hired them, and that report was provided to the Treasury Board in January of 2016 and communicated to PSPC.

The Chair: You say you ordered a new report and you had a new minister coming in, yet she is not aware of whether or not she had the Gartner report. Isn't that odd?

The Gartner report was there to help determine whether the system was ready, and Gartner said it might not be ready to launch. Is that right?

Ms. Sandra Hassan: Gartner did in fact state that.

● (1655)

The Chair: We aren't sure if it was in the transition binder, yet the launch took place.

Ms. Marie Lemay: I would say it's 99.9% no, the report was not in the transition binder—my transition binder—because we didn't see it, but I'd have to go back to be absolutely sure.

The Chair: A government-requested report says there are going to be big problems here, a new minister comes in and gets a briefing, and then the department moves ahead with a launch, that—

Ms. Marie Lemay: We need to get the dates straight here, and whether you're talking about my transition binder or the minister's transition binder. I came in April.

The Gartner report was requested by the Treasury Board. PSPC did their own report through the gating processes, and that's the S.i. report you heard about. That report said that considering everything, it was ready to go.

Treasury Board decided to order a specific report, the Gartner report. I'm not sure what the genesis of this was, but there was probably some reason to do it. It was delivered to Treasury Board. It was shared with PSPC, if I remember correctly, in January. I'd have to go back to that date.... I'm told it was January 29. It was also communicated by the comptroller general to the associate deputy at PSPC.

The Chair: Thank you.

Mrs. Alexandra Mendès: As a point of clarification on the Gartner report, yes, at OGGO committee it was confirmed that it was given to the deputy minister on January 29 and only given to the minister in the summer.

The Chair: Yes, that seems odd.

We'll have Ms. Yip, please, and then Mr. McCauley.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thank you for coming.

Ms. Lemay, in your opening statement, it is mentioned there are "multiple points of failure". Do you think that part of changing the workplace culture would be to have consequences for poor performance in the public service? Aside from the three executives, what about others who were responsible at other levels? There must be some sort of accountability and consequence. What can be done better in the future?

Ms. Marie Lemay: That's a very good question.

Again, when you assess the different executives, we do have a system to manage performance. Maybe I can let my colleague speak to the system. We have the tools that we have. It's going to sound like I'm going back to the same thing, but part of our action plan is to look at what we do for enterprise-wide projects. To me, there should be clear accountability and authority for an enterprise-wide project, which might be different from a project that is a PSPC project, for example.

By setting those roles, responsibilities, accountabilities, and authorities right in the beginning, you're able to then keep people very accountable for what they do or don't do. We have a system where, when everything goes well, it's fine, but when things don't go well.... We have to really make sure that we get those roles, responsibility, clarity, and oversight at the beginning. Spending that time will pay at the end, and we'll be able to really do a good at job managing that.

Mr. Peter Wallace: I appreciate the question around accountability. It's important and fundamental, and I'll answer it on a going-forward basis, if I may.

I think there may well be opportunities to improve the accountability regime of the Government of Canada on a going-forward basis. One of them is to look at the number of layers of executives and whether or not that number of layers facilitates the effective flow of information.

Second and perhaps fundamentally, we do need to look at the capacity of the Government of Canada for removals. The barriers for cause right now are very, very high. It may be appropriate to look at legislative change to facilitate more rapid removal of executives who have failed to perform. There also may be an opportunity to look at the potential to recover any performance pay, or in particular, pay at risk that may have been granted in error. In other words, if gross mismanagement or other very serious discrepancies are discovered, after due process, it may be appropriate to recover those.

The government has put those in place for Governor in Council appointments on a going-forward basis, and they may well be applicable to the public service as well. I think that's an important dialogue, because I think this does raise fundamental issues of accountability around information flow and consequence.

● (1700)

Ms. Jean Yip: Thank you. I'm just so disappointed that there doesn't seem to be any accountability. It seems like people are just shuffled.

My next question is for Mr. Ferguson.

In your statement, you mention that they did not appreciate the seriousness of the problem. How can we change this type of thinking or culture?

Mr. Michael Ferguson: Again, I think there are two aspects to it. As you mention in your question, there's the cultural aspect, but then there's also the procedural aspect. I think the underappreciation of the problems got through too many people, partly because there was not oversight built into the project. All of the decisions and all of the information went through the executives who were responsible for that project. As soon as they did not appreciate the seriousness and the accumulation of the risks, there was no other mechanism for anybody else within the project's hierarchy to identify that problem.

I think there's the structure—and the deputy has talked about the need for there to be appropriate governance structures in these complex, multi-departmental projects to make sure there other ways of identifying when that happens—but there's also the cultural side of it. I think the cultural side of it, again, in this case was that there were many people outside of the decision process, the formal decision hierarchy, in this project.

There were many people who became aware of the significance of the problems, but they didn't find a way of stepping in and slowing down or changing the project. There needs to be the formal ways of doing it, but then there also needs to be informal ways as well. If people outside of the project see something that is not working well, there needs to be informal ways for those people to speak up as well.

The Chair: Thank you, Mr. Ferguson and Ms. Yip.

Mr. McCauley, please.

Mr. Kelly McCauley: Ms. Lemay, briefly, in your PSPC management action plan from the fall of 2017, there are about three or four items there that are due now. Have you met those goals? Some are due in April 2018 or early 2018. Are we up to date on those goals?

Mr. Les Linklater: If I could answer, yes we are. We have completed the root cause analysis. We did post, in the fall, a number of—

Mr. Kelly McCauley: I'm sorry, I'm just going to interrupt due to my short time. Are there any outstanding that are from the due dates of April or early 2018, or are we on track?

Mr. Les Linklater: No, they aren't. Where they're marked ongoing, they are still ongoing.

Mr. Kelly McCauley: Okay.

Ms. Lemay, you actually testified that IBM delayed the original testing to allow for further testing and ensure further due diligence. IBM testified in the Senate, yes, they delayed it because the system wasn't ready. Then we end up with, according to Mr. Sorenson, the Gartner report, which is very clearly saying it's not ready. There was a meeting of all the directors general of HR saying it's not ready. We had the CFOs all stating all the problems that they knew from the testing: not ready. This was coming out before you were here; I'll admit that. I guess we should give you a DeLorean and Doc Brown to send you back to the future to answer some of the questions, because we keep asking about stuff, and you weren't here.

What do we put in place to ensure we don't have another situation like this where...? In the summer of 2015, the red flags recognized that wasn't ready, so IBM delayed their testing. The rollout was delayed. We knew back then that it wasn't ready. Also we got into changing government, changing people. All these warning signs were there. We all knew, yet the minister wasn't briefed, apparently. We heard in testimony that PSPC got Gartner well in time, but apparently never passed it on to the minister.

What have we done to change that? Also, how did the minister at the time—and I know they've changed—not know everything that was going on with this? All the signs were there. We all knew.

Ms. Marie Lemay: Just on that one, we testified here before. I said that before. There was one briefing made on February 18 to the minister, from what we gather in terms of the documents. You could see the documents. It was ready to go. She was not asked for.... I think we can make that document available for you.

Your point is a very important one about different groups bringing issues and those issues not somehow being heard. I think that's what —I don't want to put words in his mouth—the Auditor General is referring to in terms of "What are we doing about it?"

● (1705)

Mr. Kelly McCauley: Be very brief, because I have a couple of other questions.

Ms. Marie Lemay: Again, the way we set up big projects is to make sure that there is independent advice directly to the DM. In my case, any big project I'll set up, I'll have a direct advice, not all the governance going through the same process, and make sure that, if it's enterprise-wide at the beginning, there's a proper oversight and governance set up with rules and responsibility, where people can bring those issues and they can have different channels.

Mr. Kelly McCauley: Let me ask you this. You've obviously read Mr. Ferguson's report. Do you agree with his findings?

Ms. Marie Lemay: That's—

Mr. Kelly McCauley: I don't want to put you on the spot, or Mr. Ferguson or Mr. Wernick, but we heard very different testimony the other day about the seriousness of the culture that allows something like this to happen.

Ms. Marie Lemay: I agree with the recommendation, and we're acting on the recommendation. I told you also about the culture. I do agree with the clerk. We do have a world-class public service. This doesn't mean that we have a broken public service.

Mr. Kelly McCauley: We all agree.

Ms. Marie Lemay: I'd also tell you about some of the things that we're doing at PSPC. I think we do need to really work hard to create a culture where it's safe to bring issues, and we have to have different mechanisms for that. We have to be able to create the environment, but we have to have the different processes. It's not a one-size-fits-all. Different people need different ways to bring issues up. It's going to be a constant reminder. You can't just say it and walk away. You have to walk the talk, and it has to be sustained.

Mr. Kelly McCauley: Mr. Ferguson, in light of the comments that were made by Mr. Wernick, how do we get to some of these cultural issues that you've warned us about, whether an addition of services or a Phoenix-type thing, where you painted a very clear picture, a very scary picture? We've heard testimony that some of these issues exist. Then we have maybe someone from a different part saying, it's not as bad as that. We have an incredible public service—we recognize that—but we do have an issue. It almost feels that your report is going to reject it.

Mr. Michael Ferguson: The message that I delivered was about the necessity to look to the culture and what needs to be changed and effected in the culture. I think we heard from the deputy minister today that they are doing some things within that department to try to identify where there could have been some cultural factors. I think we heard from the secretary as well about the need for departments to follow policies—the substance of the policies not just the check box.

For me what's important is that this dialogue starts and that each institution within the government starts to look at the cultural aspects. Are there cultural things within their environment that could be getting in their way?

The Chair: Thank you, Mr. McCauley.

Mr. Samson, welcome to our committee. You have five minutes.

Mr. Darrell Samson (Sackville—Preston—Chezzetcook, Lib.): Thank you very much.

[*Translation*]

I'm a substitute member, so I don't have the whole context. Rather, I will focus my energies on two parts, the problem that arose at the outset and the changes that we should now see concretely on the ground.

The problem seems clear to me: the project is put forward, we ask how much it will cost, we're told that we only have 55% of the money, so we reduce functionality and pilot projects.

I have worked in a technology system like this in Nova Scotia before in a context of change. I have several years of experience. I know that if the project that I have in mind or that is proposed will not be presented the way it was designed, it's a problem. To build a house, the foundation must be firm. I am amazed that it was determined that it was acceptable for the project not to proceed as planned and to remove pieces of it when it is a major change that affects all of Canada. This is a problem.

From my 30 years of experience in administration, it seems impossible to me that three people under the deputy minister's responsibility could make such a decision. That's impossible. These people need to talk to the deputy minister. If I were minister of the department in question today, I would also like the deputy minister to tell me about the problem and possible solutions. It is almost incredible that this could happen. If a major project is designed and employees do not notify the manager that there is a problem, it is highly problematic.

That's the first part of my comment. You can clarify that, if you want.

You also mentioned that change takes place at three levels: practice, culture, and transformation. Can you give me an example of the measures you have implemented to date for each of these aspects, so as to give us hope that it will work better?

● (1710)

[*English*]

The Chair: Thank you, Mr. Samson.

[*Translation*]

Ms. Marie Lemay: To reassure you, I will tell you that we have already put into practice the lessons learned from this experience. I think that, as public servants, and particularly as deputy ministers, if we think we need certain investments to carry out a project, our role is to defend that need. Phoenix's experience is unfortunate, but I think it will serve us in the future. If we don't learn from Phoenix, we won't have learned anything.

At Public Services and Procurement Canada, we are putting the necessary measures in place. We know it's important to take the time to plan investments well and not cut projects. We have already put that in place.

As I said earlier, we are transforming the organization to change the way we serve the public, to change the way we work and to green the way we work.

When it comes to cultural transformation, whatever the process, we need to create environments where people feel they have permission to report problems. I absolutely agree with the scenario you describe: I would expect my employees to tell me about it.

Mr. Darrell Samson: Let's take the following situation.

[*English*]

The Chair: Please be very quick.

[*Translation*]

Mr. Darrell Samson: Let's say that, tomorrow morning, your employees come to you to tell you that there isn't enough money to do this project and that it won't work. Would you go to the minister? What would the next step be, if you were told that it wasn't going to work?

Ms. Marie Lemay: Apart from the nuances, I would say that we have no choice, and we won't do the project. We can't put the organization at risk. If we aren't able to do the project, we won't do it.

Mr. Darrell Samson: You wouldn't ask the minister for anything?

Ms. Marie Lemay: I'm sorry, I didn't quite understand. Yes, if we needed more money, we would go to the minister, who would go to Treasury Board.

Mr. Darrell Samson: Do we know if the minister knew he had to go to Treasury Board, but he did not?

Did he go to Treasury Board and Treasury Board refused?

Mr. Wallace, can you answer that?

[*English*]

The Chair: She wasn't the minister.

A voice: [*Inaudible—Editor*].

The Chair: Mr. Christopherson, please go ahead.

Mr. David Christopherson: Thank you, Chair.

With your indulgence, I want to make a brief reference to the message we will deal with on Tuesday, where it's very specific to Phoenix, to keep us focused, if you will allow me, sir.

One of the key things in public life these days—and we're all in it to one degree or another—is transparency and accountability. I know this is not easy for you. It's not supposed to be. Somebody has to be held accountable. Lest you think that we get off when we go knocking on thousands of doors and the question on the doorstep is, "How did I do?", let me tell you, you learn about transparency and certainly about accountability.

One of the things, Chair—and I have mentioned it before—that hit me the hardest, given all my years on this committee, was that in that report, there was a message to us—and it's strictly on Phoenix—from the Auditor General posing the question about who is to blame. In the context of that, he said, "It's a difficult question to answer because it's as if the Phoenix project was set up to avoid responsibility—either by design or by accident."

Mr. Ferguson, is there anything you want to add to that? It's pretty damning, especially even the hint of somebody in the bureaucracy deliberately setting it up so that it wasn't clear who made the decisions. An accident is a little less so, but it's still hugely problematic.

Could we have your thoughts on that, sir?

Then, Mr. Wallace, to give you fair notice, I'm going to be coming to you to ask for a commitment about what you're going to do in your challenge function going forward to assure us this won't happen again.

Mr. Auditor General.

● (1715)

Mr. Michael Ferguson: I think that statement is pretty clear. Again, it comes back to the fact that we couldn't find things like documentation for who actually said, "Yes, the system is ready to go. Let's go live with it."

There was also the number of deputy minister changes that happened. The deputy minister in place when the decision was made, even he had only been in that position for a year, a very short period. How would he have really understood everything that was going on with the system?

There was no oversight. Everything was built going through the project executives. There was no oversight. There was no clear role for the deputy minister. Later on, Treasury Board Secretariat suddenly comes in and does the Gartner report, but they don't actually have any authority within the project. The PSMAC, the group of deputies, was brought in at the very end, but they didn't have any decision authority either.

At that decision point, it seemed almost like they were reaching for different ways. They were going to PSMAC and Treasury Board Secretariat was coming in and producing the Gartner report, which essentially got it right, but then that report was going to the project executives.

The whole design of the project, as I said, did not lead to anyone being able to say, "Here's who should have been accountable and responsible for this."

Mr. David Christopherson: Mr. Wallace, I gave you notice. It wasn't a gotcha question. What I'm seeking from you, sir, is an absolute assurance that in your challenge function going forward, you won't let this sort of thing happen again.

Mr. Peter Wallace: Let me be very clear. You will never get an absolute assurance from me, because life is messy. There are enormous challenges. I say that not, frankly, to duck accountability but to indicate to you that we will do everything we can to mitigate risk. However, risk is a reality. The challenge here is how we prevent small problems from becoming enormous, incomprehensible problems.

Let me go through a number of steps that we have already undertaken, and then speak to something a little more fundamental than that.

We have, of course, put in place a stronger role for the chief information officer. We have updated our information technology and management policies. We put in place much stronger governance in terms of deputy ministers' committees with clearer lines of accountability. We have ensured that Treasury Board is engaged in a much more meaningful way in two forms of the challenge function: the fiscal challenge function, and now a much stronger role for the IT challenge function as well. We have created a number of very important digital standards around interoperability, access to cloud, and a whole variety of things absolutely critical to avoiding these things and allowing for broader vendor interface as well.

We have put in place an enormous amount of work on a project management strategy under the office of the comptroller general. We have put in place a variety of multi-level governance models associated with all those things.

However, to very clear, those are all hurdles. They are all step points. They could become bureaucratic friction unless we take the core lesson seriously. The core lesson here is that these things are not there to be manoeuvred around. They are there so that we actually understand what we are doing. We take appropriate risk but not disproportionate risks with taxpayer values, with the privacy of our employees' information, with our fundamental need to pay our employees accurately and on time, or any other IT project.

We are putting all those measures in place. They will be very helpful, but what they will require is vigilance all the way through to make sure that those values, what those policies represent, are actually part of the lived experience of the organization. That will never provide you with the absolute assurance that you seek, as you will understand, but it will provide you with, and I hope to provide parliamentarians with, an understanding that we are learning these absolutely critical lessons.

We take them fantastically seriously, as you are correct that we do not enjoy this experience. We understand the absolute imperative of getting these things right on a going-forward basis.

I need to add one other piece. I do need to reiterate that accountability is fundamental and it is our belief that we can increase and augment the accountability regimes as well.

The Chair: Thank you, Mr. Wallace.

We'll now move to Mr. McCauley, please.

● (1720)

Mr. Kelly McCauley: Great.

Ms. Lemay, I realize you got there just before the second rollout. Was there a sign-off or a go-ahead required for the second phase?

Ms. Marie Lemay: No. It was actually a default. The way it was set up, the go-live was in February. The second wave was happening unless there was a catastrophic failure, or I think that's what it was called.

Mr. Kelly McCauley: There was. We just didn't know about it.

Ms. Marie Lemay: You have to know, too, that there were blackout periods before the dates. When we talk about February 24, the data transfer actually started before that, and the same thing in April. When I walked in, the blackout period was already there, so it wouldn't have been asked.

Mr. Kelly McCauley: The Treasury Board commissioned the Gartner report because word had got out, obviously, through various departments that there was an issue. It was a very damning report. No one could read the Gartner report and have any other conclusion than, "Oh, my God, the *Titanic* is heading for an iceberg."

Why would Treasury Board just put it in an interoffice envelope and send it to some lower level ADMs? Why would it not have gone to the DM or the Treasury Board president to pick up the phone and call someone else?

Mr. Peter Wallace: I appreciate the question. You'll understand that I was not there at the time, so if you don't mind, I'm just going to read from the notes that I have.

Mr. Kelly McCauley: Yes.

Mr. Peter Wallace: On January 29, 2016—

Mr. Kelly McCauley: Let me stop you right there.

Mr. Peter Wallace: Yes.

Mr. Kelly McCauley: Let me ask Mr. Ferguson.

It's not your fault, but how do we ever move forward with addressing these issues when all we hear—

Mr. Peter Wallace: I'm coming back to that. Allow me the time.

Mr. Kelly McCauley: How will we ever address this stuff when all we hear is, "Well, I wasn't here at the time"?

I'm not blaming Ms. Lemay for flicking the switch, because she wasn't here at the time, but how do we get past this?

I'm aghast at how the Treasury Board—

Mr. Peter Wallace: I'm trying to be helpful—

The Chair: Mr. Ferguson.

Mr. Peter Wallace: —and then I need to be clear.

Mr. Michael Ferguson: Again, that's one of the cultural issues that I identified in the message, the fact of the tenure of deputy ministers in these positions. I believe there were four different deputy ministers, including Ms. Lemay coming in right at the very end in PSPC, in that time period.

Mr. Kelly McCauley: Mr. Wernick said the time period was perfectly fine. There was nothing to worry about with the length.

Mr. Michael Ferguson: Again, that type of turnover of deputy ministers, I believe, is something that is problematic. We see it all of the time in our audits, when we do an audit and then come back with a follow-up audit, I think sometimes there is, in fact, a third deputy in the middle there. We do the audit under one deputy minister. By the time we come back and do a follow-up audit, it's a whole other deputy minister and you get that same answer of "Well, I wasn't there at the time." There's nothing they can do about it. They weren't there at the time.

Mr. Kelly McCauley: No.

Mr. Michael Ferguson: But again fundamentally, I think it's the fact that there is so much churn, and so much rapid churn, at the deputy minister level.

Mr. Kelly McCauley: Great.

Mr. Wallace, I won't blame you because you weren't there, but how does it—

Mr. Peter Wallace: I just need to be very clear about why—

The Chair: [*Inaudible—Editor*], Mr. McCauley. Go ahead.

Mr. Kelly McCauley: I'm not blaming you. I'm just trying to figure.... This is such an explosive report that anyone would have said, "Oh, my God, this has to go to the very top."

Mr. Peter Wallace: I understand that point.

Mr. Kelly McCauley: How does Treasury Board just not pass it on to anyone?

Mr. Peter Wallace: I understand the point fundamentally, and the reason that I referred to that is that I'm about to give you information. The other information I give you is information of which I have direct knowledge because I am there. I'm just trying to explain to you that I'm explaining something that I know indirectly rather than directly. That's my only point, to make sure that you understand very clearly the accountabilities, because you have clearly seen that I will accept the accountability and will act accordingly.

On January 29, 2016, the Gartner report was communicated in draft form by the comptroller general to the associate deputy minister and assistant deputy minister of Public Services and Procurement Canada. These are not low-level officials, just to be very clear. It's transmitted in the appropriate way.

Mr. Kelly McCauley: The comptroller general is a very high level. Would he have read the report, seeing as though he paid a quarter of a million dollars for it?

Mr. Peter Wallace: I cannot imagine. So again—

Mr. Kelly McCauley: I'm sorry, you can't imagine he would have read the report?

Mr. Peter Wallace: No. Just one moment, please.

Mr. Kelly McCauley: Okay, so that's what I'm getting at. The comptroller general, a very high-ranking position, receives a very explosive report saying that we're in big trouble here, and he doesn't send it up his ladder to the deputy minister or the Treasury Board president, and doesn't send it to a deputy minister. I have people in my riding who can't get paid. Ms. Lemay can attest. I've gone and bothered Ms. Lemay and Mr. Linklater about getting Phoenix pay issues settled. I know enough to go to the top. If I had the Gartner report, why would it not be just common sense to go to the very, very top?

● (1725)

Mr. Peter Wallace: To be very clear, I understand and appreciate the question. It's not one that I can answer in detail because I was not there. The information I can provide you with...and you understand that point and you understand the reason that I say that very clearly. You also understand and appreciate that the issues here are deeply fundamental, and you also understand and appreciate, because we are having this dialogue, that we welcome this dialogue and we understand from a public service perspective....

I am a new deputy. I have spent a considerable period of time in the Government of Ontario. I'm privileged to have led the City of Toronto. I'm privileged to be the Treasury Board secretary, the deputy of finance. I understand and accept the accountabilities fundamentally, and that one of the core things we are working on here collectively as part of this dialogue is to ensure that the notion of communication is an absolutely critical element of that.

To be very clear, I accept the orientation of your question and accept responsibility for driving that message forward. That is why I'm here.

Mr. Kelly McCauley: [*Inaudible—Editor*] Mr. Ferguson's comment about everything being designed for people not to be accountable?

The Chair: Thank you, Mr. McCauley.

Mr. Peter Wallace: I do believe that is a fundamental governance issue, and when we look at this in retrospect, as the report does, we need to understand that this governance is critical for these aspects. There have been huge strides in governance, but they are only as good as the values, the intention, the commitment to implement and live with those values. Whether it is designed or works out that way, any governance structure has to have accountability and clear lines of communication at the appropriate level fundamentally built in to that.

I went through a list of measures that we have undertaken to do that, but I have also indicated to you that we intend also to pursue the very significant shifts required to make sure that we live those values.

The Chair: Thank you.

We've heard a lot about accountability. I think that it goes back to what Mr. McCauley and Mr. Christopherson and we all recognize. Sometimes it's hard to get some of the answers, when you have four deputy ministers through the tenure. The current one was there for the second launch, but wasn't the one making the decisions. I find it hard to believe that there isn't a sign-off from other departments on other things. There are always sign-offs it seems, but that it can be designed with no sign-off is frustrating.

Three of these deputies are gone. Some of them are not even in the public service anymore. Minister Foote is long gone back to Newfoundland and we still have problems. I still have constituents not being paid properly. I still have town hall meetings that are being taken up with Phoenix issues. The reason is that people are missing house payments and missing car payments because they aren't getting paid. All of us, on all sides, need the department and need the government to.... I'm glad to hear about some of the measures that you have put in place. I think that's positive. I hope these are lessons that we've learned. We know what happened. We're still trying to find out why some of it happened.

I thank you for being here today.

We are now adjourned.

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